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## **UNIT 2: BUSINESS POLICY AND DECISION MAKING**

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### **UNIT STRUCTURE**

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- 2.2 Introduction
- 2.3 Concept of Business Policy
  - 2.3.1 Basic features of Business Policy
- 2.4 Factors Considered Before Framing Business Policies
- 2.5 Steps Involved in Framing Business Policies
- 2.6 Policy Cycle and its Stages
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### **2.1 LEARNING OBJECTIVES**

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After going through this unit ,you will be able to:

- discuss the factors to be considered before framing policies
- explain how policies are framed
- explain role of policy in strategic management and decision making

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## 2.2 INTRODUCTION

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This is the second unit of the course. Here, we will discuss about different concepts of business policy. The development of business policy was due to the rising need of real life business. Clear policies help each manager to understand the range within which he/she can make decisions and thus, feels less uncertain as to whether he/she can give answers to subordinates without 'getting into trouble.' We will also discuss different factors to be considered before framing policies and how policies are framed. At the end of the unit we will explain role of policy in strategic management and decision making.

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## 2.3 CONCEPT OF BUSINESS POLICY

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Business Policy and Strategic Management are overlapping terms. Strategic management is generally considered as the process of formulating, implementing and evaluating strategies for an organization. Policy is different from strategy. 'Policy' is derived from the Greek word ***Politeia*** meaning '***polity***' that is, the state and its citizens. In Latin ***polotis*** meaning '***polished***' that is clear. According to Webster Dictionary, 'policy' means the art or manner of governing a nation or the principle on which any measure or course of action is based.

The origin of business policy can be retraced to 1911, when Harvard Business School introduced an integrative course in management aimed at the creation of general management capability. (Christensen, Porter, 1982). Hofer and other view the evolution of business policy in terms of four paradigm shifts. The first phase (1930s) was rested on the ad-voc policy-making. The need for framing policy aroused during that period due to the nature of American business during that time. With the changing environment the ad-hoc policy were replaced by planned policy during the 1930s to 1940s. The third phase gave birth to strategic thinking (60s) as there was need to adopt changes taking place in the market. Fourth Phase is 1980s and later which shift focus to strategic processes and the responsibility of management in resolving strategic issues.

### **2.3.1 Basic features of Business Policy**

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We have already discussed the basic features of business policy. As we know:

- a. Policies should be framed in align with organizational goals and objectives.
- b. Policies act as guidelines to the managers in deciding the course of action.
- c. Generally policies are formulated at top or senior level and implemented at middle and lower level.

To understand the meaning of policy very clearly let us study few examples of policy framing:

- A company will not consider addition of new products whose ROI is less than 5 %.
- No customer should be given credit for more than 30 days.
- Company will not consider any cost measures if it means compromising on the quality of the products.

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## **2.4 FACTORS CONSIDERED BEFORE FRAMING BUSINESS POLICIES**

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Policy implies broad form of guidelines. Policy comes first and strategy comes later. For example, recruitment to top positions will be from outside of a policy in an organisation. For adherence to that policy, organisation needs strategies for recruitment from outside.

Over a period of time because of changing business environment and growing competition, business policies of many companies evolved into specific strategic processes.

Formulation of policy is the responsibility of the top management, while formulating corporate policies, the board has to take into account several factors. The philosophy, the approach of the organization needs to be considered while framing business policies.

For any business such policies should be properly elucidated and

correctly understood by all concerned. For effective formulation of policy one should take into account the following aspects:

1. Policies should be based on organisational objectives.
2. Policies should be capable of relating objectives to functional areas.
3. Policies should follow accepted standard of business.
4. Policies should be definite understandable and preferably in writing.
5. Policies should be stable and flexible.
6. Policies should facilitate effect and coordinated among functional areas.

For sound policy making following are the critical factors;

- a. **Relationship to organization objectives:** The policies should be based on organizational objectives. In other words while framing policies one should take into account for what purposes and objectives the business has been established and how this can be best achieved. The policy should reflect the principles, practices and philosophies. If the policy fails to relate organisational objectives and personal objectives of individuals and groups, then the firm will find it difficult to achieve its objectives.
- b. **Simple understandable:** The policy should be stated in definite, positive and clear understandable terms. Understanding of policy is important on the part of those affected by it. Clarity is the essence of good policy. If the policies are clear cut then personal opinion will not affect in decision making.
- c. **Written policies:** Policy should be written so that they can be integrated within system and policy manuals. According to Henry Carl a policy conceived as admin tool does not exist unless it is in writing. When the policies are in writing, it ensures uniformity of freedom of action on the part of the management.
- d. **Stable:** The policy must be stable but should not be rigid. When the policies are stable, they inspire confidence in the mind of the employees, customer and dealers. Policy should not be modified or altered frequently but should be stable for fairly long time, may be two or three years. If the policies are changed on regular basis it may

create confusion in the mind of those who are going to follow them. It is essential that policy should be reviewed, evaluated and revised as per the change in the market condition or urgency of the company and changes in the environment. The policy should be flexible; it means it should be able to adapt to short term changes.

- e. **Comprehensiveness:** The policy should be comprehensive. It should cover all issues concerned with the firm.
- f. **Complementary to one another:** All policies in the functional areas must be complementary to one another. Eg. Manufacturing policy and purchase policy should be complementary to each other.
- g. **Supplementary to overall corporate policies:** Supplementary policies add to and extend overall organisational policies. They are derived from policies that are directed towards the achievement of economic objectives and can be broken down into supportive policies. If the policies are not supplementary, there might be conflict between departmental policy and overall policy.

Precautions need to be taken in policy framing as the policy involved large sum of money and unsound decision may in danger the companies bargaining power. Therefore following needs to be considered before framing policies:

- What purpose and objective will it serve?
- What principle, concept, practices and philosophies of organisation will it protect?
- How much would be the cost of implementation?
- Is it feasible to implement the policy?
- What areas will it cover?
- Will it be acceptable to all?

In short while framing policies the objectives of the business firm, its management structure, financial resources available at its disposal, attitude, social values and norms of the top management, policies of sister concern, government rules and regulations and public opinion need to be considered. A company you can never evade responsibilities towards the society and therefore policies must incorporate the statement that reflects organization's

interest in the welfare of the society. Ethical values should be given due consideration.

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## 2.5 STEPS INVOLVED IN FRAMING BUSINESS POLICIES

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Policy formulation is a process of determining and laying down general principles on the basis of which business will be operated. Policy acts as guidelines to the manager. Policy provides and guide for decision making and act as a framework for organisational activity. Policies involved standing decision which are to be followed at different level in the organisation. The policies framed by top level management act as a guide for formulation of lower level policies.

For example product policies are normally determined by top level management. But this policy requires some supplementary policies like R&D, pricing, advertising etc. Manager at low level may decide about the supplementary policies.

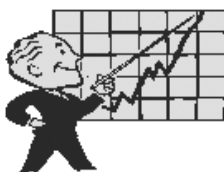
### **Policy formulation involves following steps:**

1. **Identification of the Situation:** Policy framing is not a simple task. It is a complex process which requires the help of the experts. The policies are required to reflect the good practices in society. Policy making involves all levels in the working organization.
2. **Problem Definition:** This is an important step in policy formulation. It involves identification of problem and determining the need for framing policy. Normally it is the function of line manager to identify the problems in their respective department. Once the problems are identified the top management will try to analyse pros and cons and will work out possible alternative preposition and finally determine policy needs.
3. **Policy Recommendation:** The next step is policy recommendation which will suit the situation. This depends on the level at which policies are formulated. A manager has to make choice among the various proposals. He has liberty to accept or reject the proposal according

to their suitability. If he feels he may modify the proposal to suit the working condition.

4. **Policy Proposal:** The departmental managers have to develop policies related to their areas in accordance with corporate policies. Policies framed should be based on the guidelines provided by the overall corporate policies. The purpose of the policy is to guide the lower level management and the operative in making decisions. Each departmental manager will submit the departmental policy statement to the Managing Director.
5. **Development of Policy:** The draft policy should be given wide publicity among all who may be expected to operate. The purpose is to receive constructive criticism and suggestions. This leads to formulation of sound policies which are developed after detailed discussion. The middle management gets involved from their relative areas of responsibility. When policies are framed and developed in this manner, these policies will stand the test of time and will hold even under condition of stress.
6. **Dissemination the Policy:** Once the policies are formulated in clear, precise, simple statement in accordance with principles and rules of action, it must be disseminated to those who are responsible for its implementation. Sometime policy is promulgated by word of mouth or at meetings and seminars. In certain cases company may publish handbook of the policy.
7. **Explanation of the Policy:** Once the policies are disseminated, it is necessary to explain and educate the exact meaning of the policy. The person concerned with implementation of such policy should be explained in clear terms all aspects of policies which includes purpose, components significance and its relevance the role of the person who is going to implement. It is also necessary to educate the person that how that policy relates with overall organisational goals of the company. Company may use different methods and techniques like elucidation, explanation, illustration, demonstration, simulation and case studies etc for dissemination.

8. **Acceptance of the Policy:** Before accepting the policy the persons related with its implementations of the policy, must understand the principles underlying it and rules of action. Once the policy is operative, questions will arise and these questions require interpretation by the top management. The interpretation gives an opportunity to the policy maker to modify and improve it as per the situation.
9. **Policy Implementation:** Policy once formulated and interpreted needs to be implemented. Policy implementation is a process of putting policy into effect. Managing Director being the executive head is ultimately responsible for policy implementation.
10. **Policy Review:** The most important task is to assess policy at regular interval. There should be continuous review of policies. It helps us to know whether the policy has been effective in the areas at which it was aimed. The opinions, complaints, reactions, comments or suggestions are received from the persons entrusted with the implementation of the policy. The effectiveness of policy can be judged on the basis of net profit, investment earning per share or on the basis of qualitative measurement like internal consistency of the implemented policy, consistency with the external factors, appropriateness and workability.



### CHECK YOUR PROGRESS

**Q1.** State basic features of Business policy.

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**Q2.** State the steps involved in framing Business policy.

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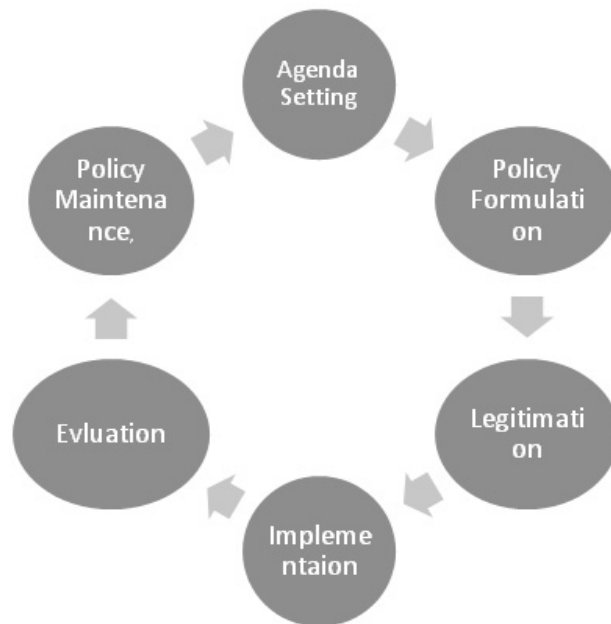
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## 2.6 POLICY CYCLE AND ITS STAGES

The policy cycle is a tool used for analyzing the development of policy framing.



Cycle divides the policy framing process into several stages. It starts right from notional starting point at which policy maker think about a particular problem and to come out with policy and till its end that is its implementation. Policy formulation is a continuous process and not mere single event.

i. **Agenda Setting:** Organisation faces many problems and issues which requires management to take immediate attention. It is the responsibility of the policy maker to decide on which matter or issue is important and which one to be tackled on urgent basis. The policy framing starts with defining and identifying the problem. It is rightly said that problem known is 50% problem solved; hence it is the core responsibility of the policy framer to correctly diagnose the problem. Once the problem is identified policy framing becomes easier task.

ii. **Policy Formulation:** Once the problem is identified, efforts are made to resolve the problem by framing right policies. Objectives are set so that it will become easier for the implementer to understand the underlined

purpose of policy framing. Once the policies are formulated, it is essential to find out its commercial feasibility. For this purpose it becomes essential to identify the cost and estimating the effect of solution. It is the critical job to select the best policy amongst many.

**iii. Legitimation:** It is not enough to formulate the best policy but it is equally important to get it accepted by those who are going to implement it. The policy framer had a challenging task of getting support for the policy. It can involve one or more combination of legislative approvals, executive approval, seeking consent through consultation with affected group / interest groups. It is one of the important steps in policy cycle.

**iv. Implementation:** After educating policy and getting consent from the concern, the next step is to implement the policy. Establishing and employing an organisation to take responsibility for implementation is the critical factor. For implementation, all the resources like money, material, manpower, finance legal framework and so on should be made available. This will ensure effective implementation of policy. If the resources are properly made available, it will enable smooth execution of the policy. Here attention should be made on the fact that decisions needs to be carried out as planned.

**v. Evaluation:** Once the policy is implemented it becomes essential to know whether the policy was able to achieve the desired results. Assessment of the policy requires knowing the extent the policy was successful or whether the policy decisions were correct ones. It will be called successful if it gives the desired results. If there is any deviation necessary steps should be taken.

**vi. Policy maintenance or termination:** If the policy fails to give desired outcome then it should be modified. If the policy is not suitable to the present situation then it should be discontinued.

The policy cycle is useful in many ways. It can be applied to any kind of organization.

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## 2.7 IMPLEMENTATION OF POLICY CHANGE

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Change is a major part of our lives, whether it is change in industries, technologies or various sectors such as transportation, education, health care, social policies or organizational policies.

Change refers to any variation in the working of the organisation. Change is vital. It is essential for survival, growth of any organisation. A company may like to change its machinery due to advancement of technology. It may change its pattern of distribution. Those companies who are able to manage change will get competitive edge in the market. Today change is seen in every functional areas. There are changes in ownership or control of a company, changes in the management, changes in the availability of fund in the organisation. When there is change in the company, the level of anxiety arises. Individuals become anxious during change and resist it even the changes could be for their betterment.

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### 2.7.1 Level of Changes

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1. **Knowledge Change:** A change in knowledge comes through education and learning process. Sometimes it occurs due to experience of the people.
2. **Attitudinal Change:** The change is brought about in the attitude of the people. The attitude may be positive or negative. The change in attitude can be brought in by several motivational approaches.
3. **Behavioural Change:** This change is brought because of change in the behaviour of a person. It is very difficult to notice such change in short span of time.
4. **Organisational Change:** Organisations involving changes in the norms, customs and belief of the people at large have to initiate it in a planned manner.

Thus change is a way of life. People may accept it, if that change is beneficial to them or may resist, if they think the changes are going to affect them negatively.

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## 2.7.2 Sources of Policy Change

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Business policy is influenced by internal and external factors which are highly dynamic in nature. Technology is by far the major source of change. New opportunities for the profitable exploitation of technology are constantly affecting business strategy. In order to gain market, organisations are constantly redefining their goals and policies, developing new products and services, changing the style of operation, acquiring new resources. Due to rapid development in the market conditions, organisations have to be dynamic and respond to changes in the environment. The stimulus for change in existing policies comes from various sources.

**1. The Changing Need of Customers and Clients:** The demand for products never remain constant. There is always change in customer expectations. The changing nature of demand can be best illustrated by product life cycle. The life cycle of different product varies considerably. For example, the Tape Recorders have a very short life, on the other hand some products like soap have been in the market since Victorian Times. Different products have different product life cycles. It is to be noted that very few products remain successful in definitely. Changing nature of demand thus is the permanent feature of business activity.

**2. Need to Solve Problems:** There are political, economic and social problems. These problems require application of technology which causes change in the working of the organisation. Sometime the solution to the problem requires in depth research and development which leads to development of research areas for example information and technology, satellites etc.

**3. The Need of Efficiency:** No organisation can survive without improving their productivity and efficiency.

**4. Problems of Change:** Change is not easy; several problems

are associated in the process of change in the business organisation. It is always not possible to get the expected results from the change. There is always discrepancy between expectations and achievement. The reason for this is gap between expected and actual results. People feel uncomfortable when their established role is threatened by change.

- a. The failure to define in a quantitative term the result that are expected from change creates problem.
- b. The fear among the individual that his previous experience and skill will no longer apply. This is called resistance to change and may be expressed indirectly rather than directly.
- c. The changes which are being introduced demand new approach style as the result of different method of working.

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### **2.7.3 Strategies for Management of Change**

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Business organisations are always changing and constantly redefining their policies to suit the changes. Adaptability is the Key. Considering this, organizations goes on developing new products and services, acquire new resources, introduce new systems and techniques of management. They are constantly faced with need to manage change and not merely react to change.

Changes in technology have created new dimensions and great uncertainty. We can see the changes in the social institution, in the economic environment, industrial policy, government expenditure and logical breakthrough providing labour time saving devices and giving new dimension to changes to adapt for better.

For effective management of change there is a need to develop appropriate strategies and structure. Modern business is more complex due to technological, economical, political, social and legal environment. Today the business is carried out within the given framework of rules and regulations. To manage change effectively there is a need to change the attitude of the people. The people who

are going to get affected need to be convinced about why the change needs to be implemented and should be persuaded about the required changes.

The process of change has its own typology, which indicates either an incremental or abrupt process of change. The result of change is divided into continuity or discontinuity. For instance, with incremental change and continuity, we would expect reproduction by adaptation. But when change is abrupt and there is discontinuity, we would expect breakdown and replacement of the institutions. The table below presents all the options.

Process of change		Result of change	
		Continuity	Discontinuity
		Reproduction by adaptation	Gradual transformation
	Abrupt	Survival and return	Breakdown and Replacement

Source: Streeck and Thelen 2005: Pg. 9.

The changes would be successfully implemented when there is coherence, stability, peer support, proper training and engagement. Successful implementation implies that 'agencies comply with the directives of the statutes. Agencies are held accountable for reaching specific indicators of success, goals of the statute are achieved, local goals are achieved or there is an improvement in the political climate around the programme. The implementation process is characterised by a 'multi-staged, developmental approach.

There are number of conditions need to be satisfied to enhance the change successfully. These conditions vary across the organisations. This adds to the difficulty of the whole process of implementation of change. There are basically two major approaches to change i.e. top-down and bottom-up approaches. These are widely used concept in the policy implementation and change. The two

approaches vary in a number of areas like the role of decision makers and their relationships and the type of policies.

- a. **Top-down approach:** Top-down theorists see policy designers as the central actors and concentrate their attention on factors that can be manipulated at the central level. Sabatier and Mazmanian (1979), who identified a number of legal and political variables and then synthesised them into six conditions needed for effective implementation. These variables range from clear objectives, causal theory, legal structure of the implementation process, committed officials, supportive interest groups to no undermining of changing socioeconomic conditions. 'Top-downers' usually prioritise clear policies.

**Strengths and weaknesses:** The major strength of the top-down approach is that it seeks to develop generalisable policy and come up with consistent recognisable patterns in behaviour across different policy areas. But top-down approaches are criticised for only taking statutory language as a starting point and hence do not consider the significance of previous actions. This approach considers implementation as an administrative process and ignores or eliminates political aspects.

- b. **Bottom-up approach:** Bottom-up theorists emphasise target groups and service delivery personnel, arguing that policy is made at the local level. Scholars of this approach thus criticise top-down theorists for only taking into consideration the central decision-makers and neglecting other actors.

The bottom-up approach, developed by Hanf, Hjern and Porter (1978), identifies the networks of actors who are involved in service delivery in one or more local areas and asks them about their goals, strategies, activities and contacts. Then it uses the contacts in order to develop a networking technique. This approach involves

everyone in the policy change from lower level to upper level.

**Strengths and weaknesses:** Bottom-up approaches do not present prescriptive advice, but rather describe what factors have caused difficulty in reaching stated goals. It is significant that strategies are flexible so that they can be easily adaptable to suit the situation based on the views of the service delivery personnel.

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## 2.8 ROLE OF POLICIES IN STRATEGIC MANAGEMENT

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Policy refers “to specific guidelines, methods, procedures, rules, forms, and administrative practices established to support and encourage work towards stated goals”. Policies act as a empowerment tools. It simplifies decision making process. The actions of the managers and their subordinates are guided for effective strategic decision making. Policies provide standard operating procedure. Policies are important tool in strategic decision making process. Policies promote uniform thinking and handling of similar situation. Frictions of actions are either eliminated or reduced. Policies ensure quick decision as they are written guidelines on routine problems face by the organization. It empowers employees. As the policies are normally written, it reduces uncertainty in day today decision making. It provides pre determined solution to a particular problem of recurring nature.

It also establishes consistency in decision making process and pattern of managerial action. It has been observed that policies reduce resistance to organizational strategies. Policies act as a tool which indirectly controls independent action of the subordinate manager. It improves job performance of the individuals. Policies help to understand business environment which in turn will enable the firm to plan its activities and strategies to tackle the environmental challenges.

Policies are designed to guide the behaviour of managers in relation to the pursuit and achievement of strategies and objectives. Policies are instrument for strategy implementation. Policies act as specific guides to



managerial action and decisions in the implementation of strategy. Policies and procedures help in strategy implementation in several ways:

1. Policy institutionalizes practices which are strategy-supportive.
2. They also facilitate development of operating procedures throughout the organization which enable implementation of strategies.
3. Policy reduces uncertainty in repetitive and day-to-day activities of the organization. It helps in the direction of efficient execution of strategy / strategies.
4. It curtails discretionary decision and behavior of the individuals. On the other hand procedures imply steps how things are to be handled.
5. Policy helps to establish a fit between corporate culture and strategy which enable proper implementation of the policies.
6. Policy helps to shape the character of the working environment. It translates the corporate philosophy into how things are to be done, how people are treated.
7. It reflects out what corporate beliefs and attitudes mean in terms of everyday activities.
8. Alignment of actions and behavior with strategy is possible due to policy. This avoid conflicting practices.
9. Because of policy, there will be consistent patterns of action in terms of how the organization is trying to make the strategy work.

The existence of a policy can only be justified if it leads to the achievement of the organization's objectives. Policies should be consistent. Policies which conflict with each other should be avoided. Policies should be flexible.

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## **2.9 BUSINESS POLICY AND DECISION MAKING**

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Policies flow from planning. Policies act as a useful connection between goals and actions. Business policies are statement of directions, guidance for corporate thinking, corporate behaviour and action. Therefore,

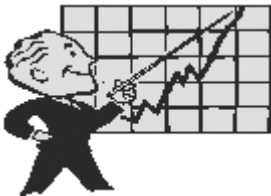
policies cover very broad area; it takes into account approach of business and challenges and problems arising out of the external environment in particular. Therefore the policies cover wide variety of subjects and broad base. Every possible matter that affects the interest of anyone in the organisation, the community and the government is included. It covers functional areas of the business. As a guide for making decisions policies provide the following advantages.

1. **Save Time:** Policy tends to serve as precedents and reduce repetitive rethinking of all the factors while making decisions by the individuals.
2. **Coordination:** As policies are in writing and communicate same message to all, it aids in coordination. As number of individuals guided by the same policies, it is possible that can predict accuracy in decisions of others.
3. **Stability:** Policies bring in portability in the organisation. There is certainty of action. Even though top management frames the policies, the action remains same. Normally policies are framed for long time hence it promotes stability in the organisation. Due to this it diminishes frustration among the members.
4. **Definite Decision:** When the policies are clearly defined it encourages definite individual decision. This is because each manager has clear understanding of the range within which he can make decisions. He is more confident as he makes decision in accordance with policy framework.
5. **Evaluation of Performance:** Policies specify route towards selected goals. Policies act as a standard or measuring yard for evaluating performance. The results can be easily compared with the policies to determine whether the decisions are well within the boundaries of the policies. It also helps to determine how well the members of an organisation have lived up to their professed intention.

6. **Loyalty:** When the policies are sound in nature it creates enthusiasm among the employees. They remain more loyal towards organization. This is possible when the policy reflects established principle of fair play and justice.
7. **Initiative:** When the policies are properly administered and implemented it encourages initiative among the employees. This creates feeling of ownership and they work hard with full responsibility to work.
8. **Image Building:** Corporate policies act as an image builder in the eyes of the general public. Good image will bring more reputation and goodwill which will enhance sales and profitability. With the increased profitability, organisation may undertake social responsibility on a larger scale.
9. **Optimum Use of Resources:** Clarity in policies, its relevance and reasonableness enable optimal utilization of resources. The wastages can be avoided which will improve efficiency and productivity of the organisation.
10. **Control Guide:** Policies act as control guides for delegated decision. Because of the policy there will be consistency and uniformity in the decision making process on a particular problem which occur frequently and under similar but not identical situation.
11. **Confidence:** Policies set the pattern of behaviour. It permits participants to plan with greater degree of freedom and confidence. It leads to coordination amongst the departments.

Thus policies clarify organisational objectives, guide planning and help subordinate in decision making. It also facilitate coordination and Control. Policy acts as a yardstick for measuring performance of the individuals and the quality of their decision making ability. Organisational objectives can be easily achieved if the policies are clearly define and understood by

those who are going to implement it. The scarce resources can be optimally used and organisation can fulfill their social obligations in an effective manner.



### CHECK YOUR PROGRESS

**Q3.** Explain top down approach of business policy.

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**Q4.** State two advantages of policy.

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## 2.10 LET US SUM UP

In this unit we have discussed the following:

- The origin of business policy can be retraced to 1911. Hofer and other view the evolution of business policy in terms of four paradigm shifts. The first phase (1930s) was rested on the ad-voc policy-making. The ad-voc policies were replaced by planned policy during the 1930s to 1940s. The third phase gave birth to strategic thinking (60s). Fourth Phase is 1980s and later which shift focus to strategic processes and the responsibility of management in resolving strategic issues.
- For effective formulation of policy one should take into account the following factors into consideration :
  - Policies should be based on organisational objectives.
  - Capable of relating objectives to functional areas.
  - It should follow accepted standard of business
  - It should be definite, understandable and preferably in writing.

- Should be stable and flexible
- The policy cycle is a tool used for analyzing the development of policy framing.
- To manage change effectively there is a need to change the attitude of the people; the people who are going to get affected need to convince about why the change needs to be implemented and should be persuaded about the required changes.
- Policies cover very broad areas. It takes into account approach of business.



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## 2.11 FURTHER READING

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1. Cherunilam Francis (2015), Business Policy and Strategic Management, Himalaya Publication House , New Delhi
2. C Appa Rao, B Parvathiswara Rao, K Sivaramakrishna (2008); Strategic Management and Business Policy, Excel Books, New Delhi
3. Tandon A (2010); Business Policy and Strategic Management; Anmol Publications Pvt.Ltd.
4. Rao Subba P(); Business Policy and Strategic Management: Text and Cases; Himalaya Publication House , New Delhi



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## 2.12 ANSWERS TO CHECK YOUR PROGRESS

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- Ans. to Q.1:** a. Policies should be framed in alignment with organizational goals and objectives.
- b. Policies act as guidelines to the managers in deciding the course of action.
  - c. Generally policies are formulated at top or senior level and implemented at middle and lower level.

**Ans. to Q.2:** Policy formulation involves following steps: Identification of the situation, Problem definition, Policy Recommendation, Policy Proposal, Development of policy, Dissemination the Policy, Explanation of the policy, Acceptance of the Policy, Policy Implementation and Policy Review

**Ans. to Q. 3:** Top-down theorists see policy designers as the central actors and concentrate their attention on factors that can be manipulated at the central level.

**Ans. to Q. 4:** Saves time and Coordination.



## 2.13 MODEL QUESTIONS

- Q.1: Discuss different factors which need to be considered before framing business policy.
- Q.2: Discuss briefly the steps involved in framing Business policy.
- Q.3: Discuss briefly different advantages of Business policy.
- Q.4: Mention different sources of Policy change.
- Q.5: Explain policy cycle and its stages.

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